**Helping Foreclosure Survivors Buy Again – and How to Buy a Foreclosure Property**

**By Karen Davala**

During the Great Recession, the National Association of Realtors® analyzed that nearly 9.3 million homeowners underwent a foreclosure, deed-in-lieu of foreclosure or a short sale. After sitting out of the market for several years to rebuild their credit, these former homeowners are slowly coming back to the market looking for another chance at homeownership. In addition, some buyers have sought to take advantage of foreclosed properties in hopes of greater affordability.   
  
For both groups of buyers, there are some unique challenges, and a Realtor can help you to navigate these waters, which can be crowded with financial and legal complications unlike typical transactions.

Let’s look at some numbers. [NAR](http://economistsoutlook.blogs.realtor.org/2015/04/17/return-buyers-many-already-here-many-more-to-come) research has found that nearly a million of those former foreclosed owners have already purchased a home, and another 1.5 million are likely to purchase over the next five years. These second-time buyers will create new sources of buyer demand for the housing market.

“In spite of the difficulties and hardships they faced, these return buyers still aspire to homeownership,” said Karen Davala, president of the Columbia-Greene Board of Realtors. “In addition to its many social benefits − such as fostering strong communities− the benefits of owning a home are still obvious to these return buyers. They still see homeownership as one of the best ways to build equity over the long term.”

Here are some tips for return buyers hoping to once again become homeowners:

**Make sure your credit is clean.** All buyers should carefully evaluate their finances before beginning the search process. A homeowner who has experienced a foreclosure on a conventional loan can expect to be negatively impacted for at least seven years if the future loan will be purchased by Fannie Mae and five years if purchased by Freddie Mac. The impact lasts three years for a foreclosure of a Federal Housing Administration loan -- if the consumer wants to obtain future financing through FHA. That wait can be waived if the borrower qualifies for FHA’s ‘Back to Work’ program. The impact for an owner in a short sale can vary widely, but it can be a much shorter timeframe if the owner was current on his or her mortgage payments and has an otherwise favorable credit history.

“Return buyers should look at their income, savings and credit report, and collect documentation of income and cash available to prepare for the mortgage application process,” said Davala.“If you are reentering the market after a foreclosure, it is even more important that you have all of your financial ducks in a row.”

**Get pre-approval for a mortgage.** Pre-approval is a written statement from a lender stating the amount of money you have been approved to take out as a loan. Having this information will help the home buying experience go much smoother and make you a more attractive buyer to sellers.

**Have a down payment ready.** Many return buyers bought their first home when little-to-no down payments were needed. Having a sizable down payment is now an important part of the homebuying process. An FHA loan requires a down payment of at least 3.5 percent of the purchase price and a conforming loan without mortgage insurance is a minimum of 20 percent of the purchase price.

**Find a Realtor**®**.** “Most importantly, contact a Realtor®, a member of the National Association of Realtors®, in your area,” said Davala**.** “Realtors® are the most trusted resource for real estate information and can give return buyers the advantage they need in today’s market.”

And what about buyers seeking to buy a home that is in foreclosure? These transactions call for some some “bidder beware” tips. Why? Foreclosures happen after an owner defaults on mortgage payments, and the property is taken back by the lender or a government agency.

Prospective foreclosure buyers do not always have access to the property before an auction, so its the condition may be unclear. Title problems can be costly to clear up. And the condition of a property can change a foreclosure auction and the closing date, if a disgruntled owner is involved.

* Never buy a property that cannot be inspected ahead of the auction.
* Get a close idea of the costs involved in bringing the property back to a livable condition, and arrange financing to cover both purchase and rehab costs.
* Consider waiting until a bank “buys back” the foreclosed property, as the bank will likely make certain necessary repairs.
* Be prepared to make a competitive bid, especially for property in a good location.
* Have your money in place on the day of the auction—and pay cash if you can.

As always, engage a Realtor in your process from the outset.

As the advocates for homeownership, Realtors® believe that anyone who is able and willing to assume the responsibilities of owning a home should have the opportunity to do so, and are happy to work with buyers willing to understand the challenges and rewards of homeownership.

*Karen Davala, a licensed broker-agency owner, is president of the Columbia-Greene Board of Realtors.*